



CABINET FOR HEALTH AND FAMILY SERVICES
DEPARTMENT FOR MEDICAID SERVICES

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Mark D. Birdwhistell
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Shannon R. Turner, JD
Commissioner

April 7, 2006

Dear Hospital Provider:

Hospital Letter # A-219

The Kentucky Department for Medicaid Services is pleased to announce the methodology and schedule for the DRG enhancement as defined in the 2005/2006 State Budget. The following description and timeline will be utilized for the distribution of the amounts due for dates of service July 1, 2005-June 30, 2006

1. Hospitals will be receiving an enhanced payment for each DRG. The enhancement will be an increase of approximately 17% to the relative weights.
2. A lump sum payment will be generated based on the DRG volume already adjudicated for claims with admission dates of 7/1/05-1/31/06.
3. The combination of the enhanced amounts from 2/1/06-6/30/06 and the lump sum amounts from 7/1/05-1/31/06 will combine to form the cost coverage for the universal rate year ending June 30, 2006.
4. The payments pursuant to this distribution methodology will be made beginning April 15, 2006..

For the universal rate year beginning on July 1, 2006, the Commonwealth will propose a move to a more transparent DRG reimbursement system. This system will attempt to address issues that hospitals have raised with respect to the current methodology, including newborn and maternity rates. Additionally, the regulation will clarify the appeals process and define those circumstances in which an appeal may be considered. The Department will file an ordinary regulation outlining these changes and will seek feedback from hospital providers on the proposal before it is enacted.

If you have questions regarding this letter, please contact Barry Ingram, Director of Hospital and Provider Operations at 502-564-6511.

Sincerely,

Shannon R. Turner, JD
Commissioner

